

File—Serial Charge Out FD-5 (Rev. 6-17-70)



c48-16-83475-1 GPC

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1/11/80

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INTERNATIONAL SIGNAL AND CONTROL CORPLI,
LANCASTER, PA.; FALSE FINANCIAL STATEMENTS
TO COMMONWEALTH NATIONAL BANK,
LANCASTER, PA., AND
AMERICAN BANK, LANCASTER, PA.
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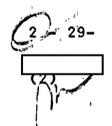
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On 1/4/80 SA met with	
AUSA, EDPA, and Special Agent,	,
Defense Investigative Service. During the meeting, SA	
advised that his agency had been investigating alleged fraud	
by substitution and falsification in U. S. Government contracts	\$
by subject company.	b6
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SA provided a copy of his report which contains	
results of his interviews with a former International Signal and	
Control Corporation (ISCC) controller and two former ISCC	,
accountants. These individuals related to him that ISCC	•
regularly published false financial statements with inflated	
accounts receivable and inventory values for the purpose of	
obtaining bank loans. Their suspect accounting practices	3
included creating phony sales invoices and pledging the	

AUSA advised that if the allegations were substantiated he would be interested in prosecution of the matter because the large majority of ISCC's income is derived from U. S. Government contracts.

same collateral on loans at different banks.

It is recommended that a case be opened and assigned in order that validity of allegations can be determined.



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DATE:	1/	30	/80
DATE:	1/	30	00

REPLY TO ATTN OF; SSRA

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SUBJECT:

INTERNATIONAL SIGNAL AND CONTROL CORP.,

LANCASTER, PA.; FALSE FINANCIAL STATEMENTS

TO COMMONWEALTH NATIONAL BANK,

-XX LANCASTER, PA., AND

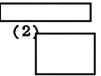
AMERICAN BANK, LANCASTER, PA.

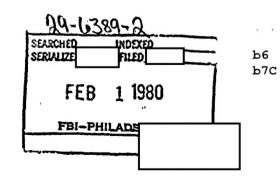
BF & E (B) (OO: PH)

TO: SAC, (29-6389)(HRA)(P)

This particular investigative matter is going to be held in abeyance until such time as the HRA has the services of an accountant who could adequately handle this investigation.

(2) - 29-6389 (HRA)







	Very truly yours,
	EDGAR N. BEST Special Agent In Charge
Г	BY: Supervisory Senior Resident Agent

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 5/14/80	·
7	1,
Bruce R. Horton, 2721 Chapel Road, Lancaster, Pa., telephone 872-2394, was contacted at his residence. Horton was advised of the identity of the below listed agent and that he was to be interviewed for the purpose of clarifying statements he made in an interview with of the Defense Investigative Service. Muriel Horton, his wife, was present throughout the interview. Horton provided the following information:	ь6 ь7С
Horton was employed with International Signal and Control (ISC) of Lancaster from August, 1974, until March, 1978, when he was "fired". During this period, Horton reported to several different supervisors. They included Horton was fired by because he was too outspoken concerning questionable accounting practices at ISC. These questionable accounting practices occurred due to a continuing cash flow problem that ISC had throughout Horton's tenure. ISC never attained a favorable fiscal condition during this time and was forced to create quarterly financial statements in order to obtain the needed financing to survive. This motivation triggered the following fiscal practices, according to Horton	l <u> </u>
reported directly to told Horton that ISC prepared several different sets of financial statements for the purpose of satisfying creditors, shareholders, and their own use. Horton was required to assist in the preparations of these statements and for the most part, he was given the figures by and tabulated them in accordance with generally accepted accounting practices. When not assisting with the actual financial statements, Horton performed his normal duties as a cost accountant. Within his job area, he was also required to maintain several different sets of cost figures for each job. Most costs were adjusted downward and labor costs were moved from one job to another depending on which job was over budget and/or under budget. These PHILADELPH 5/6/80 Lancaster Da	
Investigation on 5/6/80 Lancaster, Pa. File # 29-6389(HR	<u>А)*</u> b6 b7с

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PH 29-6389

adjustments were made at the direction of his immediate supervisor.

Horton also stated that during their annual audit by independent accounting firms, instructions were given by _ and Horton's supervisor to give the auditors a certain set of accounting records. With respect to Horton, he would simply give the auditors a specific set of job order costs. The other sets he maintained were never given to the auditors. Horton cannot say what the other accountants withheld from the auditors.

ISC had two accounting firms during Horton's tenure, the first was Ernst and Ernst Company of Harrisburg; the second was Haskins and Sells of Philadelphia. Horton believes that Haskins and Sells performs their audits at the present time.

Horton explained that it was important for ISC to obtain a favorable opinion on their financial position by Haskins and Sells in order to get the financing needed. As a result, the auditors were kept under close scrutiny. Horton believes a change of auditors was made because he feels Ernst and Ernst (E & E) was getting "too close" to discovering what was actually occurring. Horton recalls that was the field

Lancaster, Pa., (telephone) supervisor for E & E.

Horton said the following banks provided most of the financing for ISC:

> Commonwealth National Bank Harrisburg, Pa. (Centerville Road Branch)

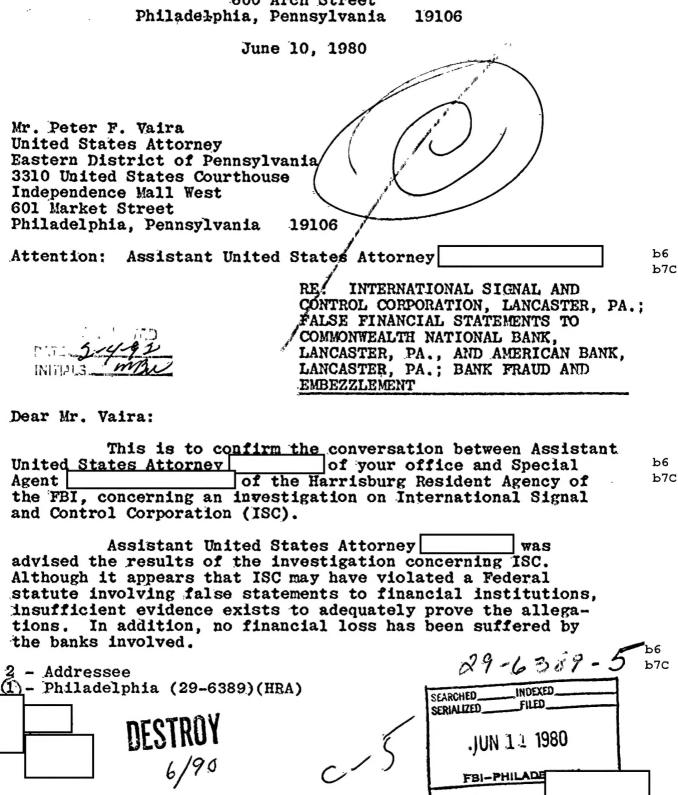
American Bank and Trust Company of Pennsylvania Lancaster, Pa.

National Central Bank Lancaster, Pa.

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29-6389

Eighth Floor Federal Office Building 600 Arch Street Philadelphia, Pennsylvania 19106



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SSRA	

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INTERNATIONAL SIGNAL AND CONTROL CORP., LANCASTER, PA.; FALSE FINANCIAL STATEMENTS TO COMMONWEALTH NATIONAL BANK, LANCASTER, PA., AND AMERICAN BANK, LANCASTER, PA. BF & E (B)

TO: SAC, (29-6389)(HRA)(P)

This investigation was formerly assigned to SA who has retired. It is now being reassigned to SA who has recently been transferred to the Harrisburg RA from Philadelphia.

(2) - 29-6389 (HRA)

